

GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN STRATEGY DEVELOPMENT

As of 5-30-2008

A. THEME: Asset Management

1. Inventory all "excess" property owned by the city.
 - Efforts should include determination of current value and how such values could be enhanced through better management, increased rents, zoning changes, waivers of certain city building requirements and fast tract approval. Then determine how much of the deficit could be reduced through the sale of these properties, the costs reductions that would be achieved through decreased maintenance costs of the facilities and additional revenue to be obtained from increased taxes from the business activity generated from private ownership (property taxes, sales taxes, business taxes, utility taxes, etc). (Steve Moore)
2. Determine the value that would be create through zoning changes and waivers/fast track of city building requirements for undeveloped parcels and developed parcels where zoning and city waivers might enhance value.
 - Once value is determine, asks the owners to pay a portion of the enhance value to the city in return for the zoning changes and waivers. Also estimate the additional revenue to be obtained from increased taxes from the business activity generated from the development of these properties (property taxes, sales taxes, business taxes, utility taxes, etc). (Steve Moore)

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B. THEME: Budget Policies

1. Adopt a budget policy that no additions can be made to the existing city services or projects unless the City Council has made a finding in public session that the proposed addition is of greater importance than bringing basic services to a satisfactory level. (SJ Excels!)
2. Adopt open government proposals that allow residents to meaningfully participate in city decision-making.
3. Direct the City Auditor's Office to examine the annual proposed budget for accuracy and potential savings, to review department performance and recommend improvements, and to evaluate grants received from external sources to assure the city is maximizing revenue and payment for overhead. (SJ Excels!)
4. Hire an outside auditor or use the city auditor to review the budget and make independent analyses and recommendations (like the Legislative Analyst's Office does for the state budget). (Michelle Lew)
5. Institute the use of benchmarking to ensure that the city is operating up to industry wide standards of effectiveness. (Bob Brownstein)
6. Institute the use of benchmarking to establish performance targets for departments while providing staff at all levels with opportunities to suggest innovations to achieve specified objectives. (SJ Excels!)
7. Join with other jurisdictions to leverage buying power and reduce costs for standard purchases. (SJ Excels!)
8. Perform a special review of the projected fund balance and/or it can employ contingency budgeting (expenditure priorities *if* there is an excess balance. If no excess balance occurs, the expenditures aren't implemented). (Bob Brownstein)
9. Defer approval of capital projects unless resources for necessary operations and maintenance have been identified. (SJ Excels!)
10. Place before the voters the option of creating a budget stabilization reserve, to be created out of one-time revenues or budget surpluses. No more than .5% of the General Fund per year shall be added to the reserve, and the reserve shall never exceed 1% of the General Fund. Proceeds from the fund shall only be used to retain city staff during cyclical budget downturns. (SJ Excels!)
11. Allow funds currently earmarked for public art to be used for any arts infrastructure project in the city, such as the construction of performance or exhibit space. (SJ Excels!)

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12. Allocate resources with the objective of maintaining equity in public services and public infrastructure among all communities and geographic districts in the City. (SJ Excels!)

C. **THEME: Budget Reform**

1. Spending reform implemented by the city to avoid future deficits. (Steve Moore)
 - The plan the Governor is suggesting for the state and it looked very reasonable. We should see if it could be applied to the city.
2. The City should perform a careful analysis of public subsidies for events (Grand Prix) or projects (new scoreboard for the Arena) to ensure that there is an adequate return for the taxpayer's investment. (Bob Brownstein)
3. Services Elimination possibilities (Steve Moore)
4. The city should establish fiscal plans that identify the timeline under which residents can expect relatively small scale improvements in services and infrastructure and the level of increased revenues that will be required before large scale expansions of infrastructure or services can be achieved. For example, what kind of new revenues would be needed to finance an addition of 300-4000 new police officers? (Bob Brownstein)
5. Design budget preparation methods that reduce the size of the excess fund balance and allow the City Council to determine the use of excess fund balances during the regularly scheduled annual budget hearings.
6. Implement a two-year operating and project budgets cycle, like the City of Sunnyvale (Michelle Lew)
7. Design budget preparation methods that reduce the size of the excess fund balance and allow the City Council to determine the use of excess fund balances during the regularly scheduled annual budget hearings. (SJ Excels!)
8. Establish a Technology Advisory Council through which Silicon Valley business leaders suggest ways the city can use technology to improve efficiency. (SJ Excels!)

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D. THEME: Capital Improvement and Infrastructure Maintenance

1. Allow funds currently earmarked for public art to be used for any arts infrastructure project in the city, such as the construction of performance or exhibit space. (SJ Excels!)
2. Establish priorities for projects within the city's deferred infrastructure maintenance backlog. Place before the voters a \$10.00/year parcel tax to address the highest priority items. Town hall meetings in each Council District will choose among the high priority items in that District. Revenue generated by this strategy in FY07-08 would have been approximately \$2.4 million. (SJ Excels!)
3. Place before the voters the option of creating a budget stabilization reserve, to be created out of one-time revenues or budget surpluses. No more than .5% of the General Fund per year shall be added to the reserve, and the reserve shall never exceed 1% of the General Fund. Proceeds from the fund shall only be used to retain city staff during cyclical budget downturns. (SJ Excels!)
4. Defer approval of capital projects unless resources for necessary operations and maintenance have been identified. (SJ Excels!)
5. Evaluate whether bonds for capital projects can include reserves for basic maintenance projected to be needed during the period of debt service. (SJ Excels!)
6. Evaluate whether bonds for capital projects can include funds for the basic physical maintenance of the facility (painting, resurface driveway, roof repair/replacement, etc.) during the period of debt service. (Bob Brownstein)
7. Employ assessment districts for basic infrastructure required by major new developments. Existing neighborhoods seeking expedited infrastructure improvements (in advance of schedules based on existing city financial capabilities) can also employ assessment districts with resident approval. (SJ Excels!)
8. Finance improvements on major roadways and arterials with developer fees, where improvements are made necessary by a specific project; with RDA funds where improvements produce primary benefit to a Project Area; and with construction taxes. Offer residents the opportunity to finance additional improvements with General Obligation bonds. (SJ Excels!)
9. Evaluate the possibility of small size parcel taxes to be applied to Council Districts or even smaller parts of the city to pay for priorities chosen by the residents of those areas. This strategy could be used for services not suitable for assessment districts. (Bob Brownstein)

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E. THEME: City Employment

1. Review employee compensation (salaries and benefits) for incoming city staff, esp. staff who are not in public safety (Michelle Lew)
2. Restructure city employee pension plans. (Steve Moore)
 - The plans are far superior to those in the private sector. Consider a move to a defined contribution program. Why should taxpayers have their taxes increased to pay for benefits that are superior to their own?
3. Preserve a high skilled, high quality workforce through competitive wages and benefits and a challenging work environment. (SJ Excels!)
4. Create employee wellness programs in order to improve the health of city workers, reduce absenteeism, and lower health insurance costs. (SJ Excels!)
5. Avoid policies that encourage employees to seek training in San José and then pursue career advancement in other jurisdictions. (SJ Excels!)
6. Contract out recreational services to community-based organizations (and when contracting out, implement multi-year contracts to lessen annual paperwork requirements). (Michelle Lew)
7. Outsourcing certain non-essential city services. (Steve Moore)
 - Examples ... parking; janitorial, catering, etc. and waive the "living wage" provisions that results in the city paying more for services than the private sector.

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F. THEME: Economic Development

1. Economic development strategies need to be targeted towards businesses that produce general fund revenues. (Bob Brownstein)
 - A firm that is located in an RDA project area, only produces services, and has minimal electricity needs may generate no property taxes and minimal sales taxes or utility taxes. This limited positive revenue effect will be true even if the firm employs 1000 workers. Note that the data presented to the Envisions San Jose 2040 committee shows job growth dominated by professional and information services, industries that do not generate significant sales tax. Similarly, locating a firm downtown and assuming the workers expenditures for lunch will generate substantial tax revenues is unrealistic. If 1000 workers eat lunch downtown every business day and spend \$10.00 per lunch, the total *annual* sales tax revenue generated will be \$26,000.
2. Establish an Economic Development Advisory Committee to solicit and evaluate economic development proposals from community organizations, businesses, and the public at large. (SJ Excels!)
3. Adopt a "Santana Row" retail strategy that places retail outlets on the city's periphery where they are most likely to attract purchases from residents of nearby jurisdictions (SJ Excels!)
4. Revise the city's hotel strategy to permit additional hotels on the periphery of the city in order to increase TOT revenues (SJ Excels!)
5. Coordinate City economic development programs with San José State University to maximize benefits from the university's capacities as a research center and as a major contributor to training the region's skilled workforce. (SJ Excels!)
6. Direct the city's economic development strategy to emphasize the generation of high-quality jobs with good wages and benefits. (SJ Excels!)
7. Design programs that encourage the growth of small businesses, including strategies to assist such firms in securing city contracts. (SJ Excels!)
8. Expand the city's Living Wage policies to include additional firms, thereby increasing the number of self-sufficient households in San José neighborhoods. (SJ Excels!)
9. Modify the enforcement of the city's prevailing wage regulations to target contracts in which violations are more likely to occur while reducing resources focused on contracts such as Project Labor Agreements which have their own alternative enforcement mechanisms. (SJ Excels!)

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10. Institute a "Buy San José" campaign aimed at encouraging purchases in San José by residents, businesses, and government agencies (SJ Excels!)
11. Reorganize the city's economic development strategy to make General Fund revenue growth the highest priority. (SJ Excels!)
12. Adopt policies for the evaluation of public subsidies that assure a high return on the investment of tax dollars. These measures should include acceptance of the public subsidy recommendations from the Sunshine Task Force. When subsidies are made to public facilities operated by a non-governmental organization (such as the HP Pavilion), an analysis must demonstrate that marginal revenues will significantly exceed marginal costs. (SJ Excels!)

G. THEME: Land Use

1. Draft a provision in the City General Plan that all major Specific Plans such as Evergreen, Coyote Valley, etc. shall include mechanisms to insure that the new development pays for associated new municipal infrastructure and that taxes and fees from the new development pay for the delivery of basic city services. The choice of funding mechanism can be tailored to the characteristics of the Specific Plan. (Bob Brownstein)
2. Require that all major land use Specific Plans shall have, at worst, a neutral impact on the city General Fund. (SJ Excels!)
3. Clarify the city's policy regarding the rezoning of industrial land for residential uses to indicate that "extraordinary benefit" means benefits to the city's General Fund. (SJ Excels!)
4. San José should implement land use policies and capital budget plans that enhance Smart Growth but do not burden the city's General Fund operating budget or cause reductions in city services. (SJ Excels!)

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H. THEME: Legislation (State)

1. Cities should be allowed to impose taxes on rental car contracts executed in their Jurisdiction. (Bob Brownstein)
2. Sales taxes should be expanded to services. As that occurs, the sales tax rate can be somewhat reduced. (Bob Brownstein)
3. When property has not been reassessed in 10 years, its assessed value shall be increased by 10% provided that the new value is not greater than market value and the new value is not greater than the cumulated 2% annual increase plus the rate of inflation over the 10 year period. (Bob Brownstein)
4. Once every 6 years, local governments should be allowed to place a special tax before the voters that can be adopted by 50% of the voters plus one. (Bob Brownstein)
5. Identify strategies that require state legislative approval and advocate for policy changes that will help address the structural deficit (Michelle Lew)
6. Strongly support state legislation or state initiatives to reform California's public finance system. Any major proposal should include expanding the sales tax to services and allowing a limited percentage of RDA tax increment funds to be used for public services needed to accomplish Redevelopment Project Area objectives. (SJ Excels!)

I. THEME: Public Safety

1. Adopt policies that require downtown business interests to pay for a greater share of the high costs of police services in that area. (SJ Excels!)
 - In addition, examine the feasibility of employing the Oakland model that allows the Redevelopment Agency (RDA) to pay for law enforcement costs in a special police district.
2. Public Safety parcel tax or a modification in the utility tax to cover inter-state and international phone calls. (SJ Excels!)
 - Offer the voters the opportunity to significantly increase the size of the San José police force and meet critical needs in the fire department and other emergency services departments.

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J. THEME: Redevelopment Agency

1. Reinstate the program through which the RDA pays the park impact fees on affordable housing projects financed with RDA resources. (SJ Excels!)
2. Up to 10% of RDA revenues can be used for increased municipal services needed by RDA project areas. (Bob Brownstein)
3. Whenever feasible, employ RDA resources wherever feasible in energy conservation and clean energy projects. (SJ Excels!)
4. Appropriate as much of the RDA tax increment revenues as is legally possible to benefit the city's General Fund. Support state legislation to allow limited amounts of RDA revenue to be used for infrastructure maintenance and augmented city services in project areas. (SJ Excels!)
5. Redirect RDA expenditures to focus on projects that generate maximum General Fund Revenue. (Bob Brownstein)

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K. THEME: Revenue Generation

1. Evaluate hiring a Grants Development professional the cost of which would be covered by the generation of new revenues. (SJ Excels!)
2. Evaluate whether bonds for capital projects can include funds for the basic physical maintenance of the facility (painting, resurface driveway, roof repair/replacement, etc.) during the period of debt service. (Bob Brownstein)
3. Establishing Business Districts with high service levels. (Bob Brownstein)
 - San Jose has a number of business districts that provide significant benefits to the public, such as Lincoln Avenue in Willow Glen, Japantown, and the downtown. In some cases, these locations may receive higher levels of public service than the rest of the city. At a time of budget pressure, it is to reasonable to inquire whether there are ways in which these districts can generate some revenues to pay for the special costs imposed on the General Fund. For example, the downtown night clubs can pay for more of the high cost of police services in that area. Also, parking fees downtown can be raised to pay for the new Downtown Coordinator position in the City Manager's office and the Transportation Events Coordinator for the downtown.
4. Increase penalties for code enforcement violations and use fees to pay for additional personnel (SJ Excels!)
5. Re-invest funds generated by energy conservation or other environmental programs that reduce costs into further efforts to improve environmental quality. (SJ Excels!)
6. Further explore a card club tax increase combined with an increase in tables. (Steve Moore)
7. Pursue collection/individual owner repair of sidewalk and curb repairs. (Steve Moore)
8. Examine the relationship between the Airport and the city to determine if there are ways to generate additional revenues to the General Fund. (Bob Brownstein)
9. Establish a San José Parks Foundation to raise private funds to acquire land for, and develop, urban parks and urban open space.

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REQUEST FOR INFORMATION: Would like to request a list of all nonprofits that have below market rate leases with the city in either community centers, surplus property or other city owned property. Could we receive information on the terms of these agreements? How have these nonprofits been informed annually of their rental status? Are they in compliance with Council Policy 7.3? (Patricia Gardner)

REQUEST FOR INFORMATION: Understand the city's cost structure better. (Steve Moore)

- Over the last 10 years, it appears that revenues have increased at twice the rate of inflation. We should have a comparison of the major cost categories from ten years ago and today, in constant dollars. While I understand salary and wages have increased significantly, it is hard to imagine how they would account for the entire increase. Also, we should take into account, total population growth.

REQUEST FOR INFORMATION: What is the city policy on fund balances and reserves? (Patricia Gardner)

- How does the City of San Jose carefully evaluate its fund balances? Would it be possible to get a "second opinion" regarding the size of the fund balance that is projected by the budget department staff – either from another city department or an outside consultant and compare that to the city of San Jose.? Is the projected fund balance part of the city wide budget planning? Are priorities set for one time expenses from the reserve? Are some reserves set at a higher threshold such as the litigation reserve and the salary reserves?

REQUEST FOR INFORMATION: What happens at the end of the fiscal year when fund balances are higher than budgeted? Could the City Council have a list of one-time projects to be funded with these excess fund balances? (Michelle Lew)

REQUEST FOR INFORMATION: If the fund balances are always significantly higher at year-end than budgeted, should we improve our budgeting process to be more realistic? (Michelle Lew)

REQUEST FOR INFORMATION: How does the city budget for unfilled or frozen positions? What happens to the funds for frozen positions? Are they part of the fund balance? Are they refunded in the next fiscal year? Does the city have a frozen position elimination policy and deleted code policy as it relates to the solving the long term budget deficit? (Patricia Gardner)